

**ASSEMBLY BILL**

**No. 1382**

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**Introduced by Assembly Member Niello**  
(Principal coauthor: Senator Wolk)  
**(Coauthor: Assembly Member Buchanan)**  
(Coauthor: Senator Ashburn)

February 27, 2009

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An act to amend Section 13320 of, and to add Section 13335.5 to, the Government Code, relating to the state budget.

LEGISLATIVE COUNSEL’S DIGEST

AB 1382, as introduced, Niello. State budget.

The California Constitution requires the Governor to submit annually to the Legislature a budget itemizing state expenditures and estimating state revenues and requires the Legislature to pass the Budget Bill by midnight on June 15. Under existing law, a state agency for which an appropriation is made is generally required to submit to the Department of Finance for approval a complete and detailed budget setting forth all proposed expenditures and estimated revenues for the ensuing fiscal year.

This bill would require that the budget submitted by the Governor to the Legislature for the 2011–12 fiscal year and each following year be developed pursuant to performance-based budgeting methods, as defined, for each state agency. The bill would also require the Department of Finance to utilize the annual report on the measurements of performance-based budgeting methods prepared by the Joint Legislative Budget Committee.

The bill would establish a task force comprised of the Director of Finance, the Controller, and the Chairperson of the Joint Legislative

Budget Committee to develop performance-based budgeting guidelines and procedures and to develop a training and education program for state agency personnel involved in the budget process.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 13320 of the Government Code is  
2 amended to read:
  - 3 13320. (a) Every ~~State~~ state agency and court for which an  
4 appropriation has been made, shall submit to the department for  
5 approval, a complete and detailed budget at ~~such~~ the time and in  
6 ~~such the~~ form ~~as may be~~ prescribed by the department, setting  
7 forth all proposed expenditures and estimated revenues for the  
8 ensuing fiscal year.
  - 9 (b) *The budget submitted to the department for approval shall*  
10 *utilize performance-based budgeting methods.*
  - 11 (c) *A performance-based budget shall identify or update all of*  
12 *the following:*
    - 13 (1) *The mission of the agency or judicial branch.*
    - 14 (2) *The goals established to accomplish the mission.*
    - 15 (3) *The activities developed to achieve state goals.*
    - 16 (4) *A performance goal and an outcome-oriented performance*  
17 *measure for each activity for which an appropriation is made or*  
18 *requested.*
    - 19 (5) *A cost-per-unit of services for the performance results*  
20 *achieved from each activity as calculated using activity-based*  
21 *costing or an equivalent managerial cost accounting approach*  
22 *that reflects both direct and indirect expenses incurred for each*  
23 *state activity.*
    - 24 (6) *A justification of why the performance impact of each activity*  
25 *is not duplicative of activities conducted by other federal, state,*  
26 *or local government agencies.*
    - 27 (7) *Legislatively approved output and performance standards*  
28 *to measure progress toward program objectives. Each performance*  
29 *measure must identify the associated activity contributing to it.*
    - 30 (8) *Prior-year performance data on approved performance*  
31 *measures and an explanation of deviation from expected*  
32 *performance.*

1     (9) *Proposed performance incentives and disincentives.*

2     (d) *As used in this article, “performance-based budgeting*  
3 *method” means establishing clear accountability by achieving*  
4 *measurable performance results from the expenditure of state*  
5 *resources.*

6     SEC. 2. Section 13335.5 is added to the Government Code, to  
7 read:

8     13335.5. (a) For the 2011–12 fiscal year, and each following  
9 fiscal year, the budget that the Governor submits to the Legislature,  
10 as required by Section 12 of Article IV of the California  
11 Constitution, shall be developed by utilizing performance-based  
12 budgeting methods.

13     (b) The amount of each appropriation made in the Budget Act  
14 for the 2011–12 fiscal year, and each following fiscal year, for  
15 expenditure by any state agency shall be determined by each  
16 budgetary unit utilizing performance-based budgeting methods.  
17 The Budget Act introduced by the Governor also shall include  
18 performance standards, which shall be proposed by the Governor  
19 and may be amended by the Legislature in the same manner as  
20 amendments to appropriations in the Budget Bill. These standards  
21 shall be applied to each state agency, including a method for  
22 evaluating whether those standards are met in order to ascertain  
23 the effectiveness and efficiency of the state agency.

24     (c) The annual report prepared by the Joint Legislative Budget  
25 Committee, pursuant to Section 12 of Article IV of the California  
26 Constitution, documenting the measurements of each state agency  
27 under its respective performance-based budgeting standards, shall  
28 be submitted to the Department of Finance for use in making  
29 proposed adjustments to the budget for the succeeding fiscal year.

30     (d) A task force consisting of the Director of Finance, the  
31 Controller, and the Chairperson of the Joint Legislative Budget  
32 Committee shall do both of the following:

33     (1) Develop guidelines and procedures to be used by state  
34 agencies in developing performance-based budgets for the 2011–12  
35 fiscal year and following fiscal years, including procedures for  
36 implementing activity-based costing or other managerial cost  
37 accounting systems in each state agency.

38     (2) Develop a training and education program for appropriate  
39 budget personnel to facilitate the development of

1 performance-based budgeting methods by state agencies for the  
2 2011–12 fiscal year and following fiscal years.

3 (e) For purposes of this article, the following terms have the  
4 following meanings:

5 (1) “Budgetary unit” means the smallest significant operational  
6 unit within a state agency that has programmatic responsibilities,  
7 including local assistance programs, and authority distinct from  
8 other units at the same level in the entity’s organizational structure,  
9 and that does not have subdivisions or other units under it that  
10 have policy or administrative authority with respect to  
11 programmatic responsibilities.

12 (2) “State agency” means any agency, department, or other  
13 entity of the state, including a court, that is required to submit a  
14 budget pursuant to Article 2 (commencing with Section 13320).